



WYOMING LOTTERY CORPORATION

Board Minutes

November 2, 2015

BOARD MEETING – SPECIAL SESSION

Teleconference

Board Members Present:

Mark Macy-Chairman, Erin Taylor-Vice Chairman, Gerry Marburger-Treasurer, Dave Bonner-Secretary, Sandi Chitwood, Ross Newman, Brian Gamroth, Sandra Wallop, and Jim Whalen.

Board Members Absent: None

Staff Members Present:

Jon Clontz-CEO, Louise Plata-COO, Donna Dittimore-CFO, Michael Scissons-CFO, Macy Holmes-Administrative Assistant, Justin Ballard-Sr. Research Analyst, Dave Stevens-Security Manager

Guests: Bob Moen-Associated Press, Laura Lewis-Intralot, Paul Ostendorf-Intralot, Tim Monroe-Casper Tribune, Brandy Marrou-MH&P

Chairman Macy called the meeting to order at 1:04 p.m. with a roll call of board members and welcomed guests. Motion made by Dave Bonner to approve the minutes with amendments from the September 29, 2015 meeting. The motion seconded by Sandra Chitwood and the motion passed by a unanimous 8/0 vote.

CEO Report:

Mr. Clontz provided Lottery activity update to include:

- Continuing to meet with Michelle Panos, Senator Anderson; thanked Jody Levine and Laura Lewis for scheduling and attending meetings. We will continue to use their help, very beneficial
- Dan Noble, Department of Revenue Director, gave update on lottery activity and current position, good opportunity to share feedback, other insights at later time
- Sponsoring WHAM conference, opportunity to speak, important for relationship building and it has improved since last year
- Started shift to speaking with legislature as we have progressed to make sure things are in line
- Continue legislative outreach, start state outreach in next calendar year
- Judiciary 3rd meeting held in Cody next day, time slotted for 3pm, staff to remain at headquarters, added updated financial information as well as problem gambling information

- *Will send recap and insights gained from judiciary meeting
- MUSL- internal control evaluation, internal review going well, 3rd out of state meeting- MUSL pays
- Chuck Strutt of internal control, retired after 30 years, launching nationwide search to fill slot, look forward to selection of MUSL director
- MUSL members' discussion about back-up systems (telephone issues, internet, etc.)
 - *Ability to notify at various jurisdictions – technology issues and resolutions
- Returned from NASPL conference – met with Intralot staff, great to have everyone together, few areas of portfolio changes
 - *Instruction on first day with problem gambling; overall positive experience, networking
- David Stevens call out, excellent job on break in theft of \$600 lottery tickets, cash and other items; former employee and all tickets recovered
- Retailer recruitment:
 - *Oversaturation addressed but room for growth; 465 machines or more
 - *Slipped from radar due to competing priorities, reevaluation by staff
- MUSL, jurisdiction broken into regions, over last few years not a whole lot of local interaction, been a while since regional MUSL meeting; decided to reinvigorate this, December in Denver and we will be in attendance
- Tracker study, 3rd, results and data; will be evaluating the frequency of studies, expense matched frequency of need, studies extremely important, make sure they maintain top priority with dealing with line of credit
- Possible renewal of insurance, BCBS of WY
 - *Thanked the board for plans and making it a priority for employees, impact/enhance coverage and reduce cost for changes
- Anything out of ordinary, taking a look, possibly save money
- Welcome Macy Holmes and Mike Scissons, getting oriented and adjusted, enjoy working with them as part of our team
- Thanked Donna Dittmore for improving the position, returning to Oregon, appreciate everything that was done for the Lottery
- Congratulated Alisha Pineda, managing work of 2 people with prize department needs, administrative office needs, and an ever changing schedule for CEO
- Timing of quarterly board meetings; might be able to better align meetings with financials to eliminate need for special sessions; planning to adjust meeting times

Question Mark Macy - What will be addressed in your Joint Judiciary meeting attendance?

Response Jon Clontz - Snapshot of current picture

Question Mark Macy –Will KENO be addressed and are you prepared for questions?

Response Jon Clontz – Yes, gotten feedback, mostly positive, and prepared for questions at post meetings with local representatives

- Mark Macy addressed legal KENO gaming questions; didn't look like instant gaming, but after 2nd look at legality, was deemed a gray area if legal, statute – once compliance issue, many decided not time to discuss, no point in discussing any further – tabled, and question might be received at committee meeting. Mr. Clontz is expecting the question and prepared to answer, but bottom line is it looks like from legal opinion, heavily gray

area and would likely require a change in statute, much more complicated than originally thought; he will be clear if asked about it, especially after a few stories were written

- Mr. Clontz addressed details of Line of Credit repayment, remarkable job by team in developing more focused budget plan and on target, continue to march forward expected to be taken care of early next year
- Kudos from Mark Macy, important to board for reputation, compliment in getting it done
- Loan expectations at a later date will be in discussion with the board

Finance & Accounting:

Mrs. Dittmore presented the following updates:

- Introduction of Brandy Marrou and Mike Scissons
- Mr. Scissons taking over position well, will take Lottery to the next level, excited to see him get started
- Q4 Financials had to wait to complete audit; reviewed
- Reviewed Profit & Loss Reports
 - *Back up budget analysis, balance sheet end of year
- Be discussing balance sheet later on because it is tied into audit

Motion Q4 financials Brian Gamroth move to approve with Gerry Marburger seconding the motion, and the motion passed with a unanimous 9/0 vote

- Review of Fiscal Year Reports
- Expenses, quite in line, as noted facilities and equipment
- 91% total expenses, pretty good number for just starting
- Way outside budget, look at budget, expense against start, rev based on rev in Aug, doesn't show in borrowed money not accounted for

Motion Fiscal Year Financials Brian Gamroth move to approve with Gerry Marburger seconding the motion, and the motion passed with a unanimous 9/0 vote.

- Introduction of Mrs. Marrou, discussing Audit

Mr. Clontz comments MH&P is one of the most respected organizations here in the mountain region, so with our first booked revenue audit, he met Mrs. Marrou at the beginning where she asked about concerns, and he wanted to look at segregation of duties, reserve accounts, irregular/abnormal things, etc.; publicly thanked Mrs. Marrou and her team

- Mrs. Marrou welcome and thanks; big audit so she would hit high points
- Indicates clean opinion, financial statements present fairly
- Lottery activity brought expenses down in line with expectations
- Line of Credit activity outlined, with disposition lottery proceeds, showing no available funds to transfer to state of Wyoming
- Contractual vendors outlined
- Compliance internal control, not required to express opinion; identification of deficiencies noted and corrected
- One audit adjustment, well prepared and audit went smoothly
- No identifiable compliance issues

- 2nd letter addressed; no identified significant or unusual changes in accounting policies and practices

Chairman Macy asked if he understood correctly that everything is right on track or not significantly off in conduct of business, and was confirmed by Mrs. Marrou that this was a fair statement

Motion to approve Fiscal Year 2015, Financial Audit by Gerry Marburger, Ross Newman seconding the motion, and the motion passed with a unanimous 9/0 vote

- Q1 Financials Reports reviewed for fiscal year 2016
 - *Looked at Budget vs. Actual Reports
- Looking fine for expenses and projections in Q1
 - *Review of Profit & Loss statement and balance sheet

Question Brian Gamroth – For unclaimed prize amounts, what happens with those funds?

Response Jon Clontz - Deeper discussions needed about that, not something we've addressed yet for what to do with money and it has been noted to discuss further

Motion to approve Q1 financials by Brian Gamroth, Jim Whalen seconding the motion, and the motion passed with a unanimous 9/0 vote.

Marketing & Sales:

Mrs. Plata & Mr. Ballard presented the following updates:

Mr. Ballard gave explanation of sales projections, year over year graph in presentation

- Due to ability of people to buy 20 draws in advance is the cause of the spike, will update as we get more comparable data

Mrs. Plata addressed rules changes for Powerball

- Definition updated and added – annuity and payout changes
 - *Coincides with MUSL rules
- Drawing definition changes
 - *New definition in line with MUSL rules
- Matrix change outlined

Mr. Clontz reiterates changes given by MUSL, got to decide own advertising campaign with restrictions, but rules were not created by our organization

Motion to approve Powerball rule changes by Sandy Chitwood, Erin Taylor seconding the motion, and the motion passed with a unanimous 9/0 vote.

- Mega Millions has fewer changes
 - *Mostly cleanup effort in language
- Language changes supporting annuity payment option and election
- No changes in prize pool allocations
- Far fewer changes and game rules align cleaner with MUSL rules

Motion to approve Mega Million rule changes by Brian Gamroth, Gerry Marburger seconding the motion, and the motion passed with a unanimous 9/0 vote.

Closing Remarks:

Mr. Clontz stated the Lottery in the next few months has a lot to focus on, like retail recruitment and cost/expense review, regional meetings with MUSL work, focus on Line of Credit payment details, and making sure Mr. Scissons & Ms. Holmes get oriented. He is confident in where

priorities are set, and appreciates time in special session.

Ross Newman questioned Mr. Clontz in regards to off track betting reopening and if we have seen impact on our sales because of this. Mr. Clontz responded that it is too soon to tell, but we haven't seen any significant changes. Only rumored about modified machines and being turned back on and we may see some impact going forward, but because it is two different kinds of player types, we will have to look for it. Gaming competition has been acknowledged but with two kinds of products and two kinds of players, no impact has been noted. He will likely learn more tomorrow at judiciary meeting and will send an update after.

Dave Bonner commented on debit cards in wondering if we are thinking further to propose statutory change for debit card addition. Buyers and retailers asked for it, considered same as cash for most. We should be thinking about this and report back to the board. Mr. Clontz stated he has done a lot of work on this in small advocacy groups and with others in discussion and the feedback is comments made about cards act as cash, but some establishments require ID to use it which is not the same as cash; other comments are about how debit cards that deny purchase or have a fee for usage on overdraft indicate how it is viewed as not the same as cash. He has asked attorney about thoughts so far and legal opinion is it looks like a gray area like KENO and will likely require language change to be able to do this easily from legal prospective. Feedback has all been informal. Mr. Clontz added Mr. Kaufman will finish formal review and board will view this after that.

Acknowledgements of Mrs. Dittmore's work with the Lottery and gratitude for staying to transition Mr. Scissons into the position.

Closing:

Chairman Mark Macy announced closure of meeting. Motioned for adjournment by Brian Gamroth and the motion seconded by Sandy Chitwood. Meeting was adjourned at 2:56 p.m. by a unanimous 9/0 vote.